

HORNBECK OFFSHORE SERVICES INC /LA

Form 10-Q

November 06, 2007

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-32108

Hornbeck Offshore Services, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

103 NORTHPARK BOULEVARD, SUITE 300

COVINGTON, LA 70433

72-1375844
(I.R.S. Employer

Identification Number)

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(Address of Principal Executive Offices) (Zip Code)

(985) 727-2000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The total number of shares of common stock, par value \$.01 per share, outstanding as of October 31, 2007 was 25,902,154.

Table of Contents

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2007

TABLE OF CONTENTS

<u>PART I FINANCIAL INFORMATION</u>	1
<u>Item 1 Financial Statements</u>	1
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
<u>General</u>	13
<u>Critical Accounting Policies</u>	14
<u>Results of Operations</u>	16
<u>Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006</u>	20
<u>Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006</u>	24
<u>Liquidity and Capital Resources</u>	26
<u>Contractual Obligations</u>	28
<u>Forward Looking Statements</u>	29
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	31
<u>Item 4 Controls and Procedures</u>	32
<u>PART II OTHER INFORMATION</u>	33
<u>Item 1 Legal Proceedings</u>	33
<u>Item 1A Risk Factors</u>	33
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
<u>Item 3 Defaults Upon Senior Securities</u>	33
<u>Item 4 Submission of Matters to a Vote of Security Holders</u>	33
<u>Item 5 Other Information</u>	33
<u>Item 6 Exhibits</u>	34
<u>SIGNATURE</u>	36

Table of Contents**PART I FINANCIAL INFORMATION****Item 1 Financial Statements****HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	September 30, 2007	December 31, 2006
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 223,169	\$ 474,261
Accounts receivable, net of allowance for doubtful accounts of \$1,015 and \$745, respectively	66,401	46,133
Other current assets	9,602	6,593
Total current assets	299,172	526,987
Property, plant and equipment, net	871,281	531,951
Deferred charges, net	38,458	31,554
Other assets	7,793	7,888
Total assets	\$ 1,216,704	\$ 1,098,380
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 17,481	\$ 18,472
Accrued interest	8,088	2,314
Accrued payroll and benefits	10,287	7,859
Deferred revenue	7,277	7,693
Other accrued liabilities	2,330	1,388
Total current liabilities	45,463	37,726
Long-term debt, net of original issue discount of \$466 and \$503, respectively	549,534	549,497
Deferred tax liabilities, net	88,009	54,480
Other liabilities	853	1,804
Total liabilities	683,859	643,507
Stockholders equity:		
Preferred stock: \$0.01 par value; 5,000 shares authorized, no shares issued and outstanding		
Common stock: \$0.01 par value; 100,000 shares authorized, 25,702 and 25,561 shares issued and outstanding, respectively	257	255
Additional paid-in capital	330,839	321,909
Retained earnings	201,557	132,558
Accumulated other comprehensive income	192	151
Total stockholders equity	532,845	454,873
Total liabilities and stockholders equity	\$ 1,216,704	\$ 1,098,380

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	Three Months Ended September 30, 2007		Nine Months Ended September 30, 2007	
	2006		2006	
	(Unaudited)		(Unaudited)	
Revenues	\$ 94,746	\$ 77,502	\$ 237,907	\$ 209,253
Costs and expenses:				
Operating expenses	31,697	24,603	86,323	69,511
Depreciation	6,040	6,077	15,788	17,932
Amortization	3,292	2,044	8,550	5,393
General and administrative expenses	8,802	7,114	23,900	21,808
	49,831	39,838	134,561	114,644
Gain on sale of assets	17		1,859	328
Operating income	44,932	37,664	105,205	94,937
Other income (expense):				
Interest income	4,070	3,998	15,850	10,683
Interest expense	(3,723)	(4,139)	(12,898)	(12,943)
Other income, net	17	37	29	67
	364	(104)	2,981	(2,193)
Income before income taxes	45,296	37,560	108,186	92,744
Income tax expense	(16,414)	(13,614)	(39,187)	(33,657)
Net income	\$ 28,882	\$ 23,946	\$ 68,999	\$ 59,087
Basic earnings per common share	\$ 1.12	\$ 0.88	\$ 2.69	\$ 2.17
Diluted earnings per common share	\$ 1.09	\$ 0.86	\$ 2.61	\$ 2.13
Weighted average basic shares outstanding	25,694	27,252	25,639	27,204
Weighted average diluted shares outstanding	26,559	27,761	26,411	27,678

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(DOLLARS IN THOUSANDS)**

	Nine Months Ended September 30,	
	2007	2006
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 68,999	\$ 59,087
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,788	17,932
Amortization	8,550	5,393
Stock-based compensation expense	5,511	3,948
Provision for bad debts	270	392
Deferred tax expense	34,985	32,558
Amortization of financing costs	1,468	100
Gain on sale of assets	(1,859)	(328)
Equity income from investment	(111)	(46)
Changes in operating assets and liabilities:		
Accounts receivable	(20,611)	(14,457)
Other current assets	(3,355)	(5,797)
Deferred drydocking charges	(16,417)	(7,917)
Accounts payable	4,799	364
Accrued liabilities and other liabilities	1,322	9,017
Accrued interest	5,774	4,546
Net cash provided by operating activities	105,113	104,792
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of offshore supply vessels	(186,000)	
Costs incurred for MPSV program	(87,018)	(16,128)
Costs incurred for OSV newbuild program #4	(34,419)	(13,923)
Costs incurred for TTB newbuild program #1		(6,986)
Costs incurred for TTB newbuild program #2	(42,761)	(11,979)
Acquisition and retrofit of AHTS vessels		(2,384)
Net proceeds from the sale of assets	5,883	1,082
Vessel capital expenditures	(9,423)	(4,851)
Non-vessel capital expenditures	(4,141)	(3,383)
Net cash used in investing activities	(357,879)	(58,552)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Deferred financing costs	(226)	(94)
Net cash proceeds from other shares issued	1,859	1,636
Net cash provided by financing activities	1,633	1,542
Effects of exchange rate changes on cash	41	70
Net increase (decrease) in cash and cash equivalents	(251,092)	47,852
Cash and cash equivalents at beginning of period	474,261	271,739

Cash and cash equivalents at end of period	\$ 223,169	\$ 319,591
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW ACTIVITIES:

Cash paid for interest	\$ 11,423	\$ 9,349
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Cash paid for taxes	\$ 3,794	\$ 1,099
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****1. Basis of Presentation**

The accompanying unaudited consolidated financial statements do not include certain information and footnote disclosures required by United States generally accepted accounting principles, or GAAP. The interim financial statements and notes are presented as permitted by instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for a fair presentation of the interim financial statements have been included and consist only of normal recurring items. The quarterly financial statements should be read in conjunction with the financial statements and notes thereto included in the Annual Report on Form 10-K of Hornbeck Offshore Services, Inc. (together with its subsidiaries, the Company) for the year ended December 31, 2006. The results of operations for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007. Certain amounts reported in prior periods have been reclassified to conform to the 2007 presentation.

The consolidated balance sheet as of December 31, 2006 has been derived from the audited consolidated financial statements as of that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

2. Earnings Per Share

Basic earnings per share of common stock was calculated by dividing net income applicable to common stock by the weighted average number of common shares outstanding. Unvested restricted stock is excluded from weighted average number of common shares outstanding for the periods presented. Diluted earnings per share of common stock was calculated by dividing net income by the weighted average number of common shares outstanding during the period plus the effect of dilutive stock options and unvested restricted stock. Weighted average number of common shares outstanding was calculated by using the sum of the shares determined on a daily basis divided by the number of days in the period. The table below provides details regarding the Company's earnings per share (in thousands, except for per share data):

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net income	\$ 28,882	\$ 23,946	\$ 68,999	\$ 59,087
Weighted average number of shares of common stock outstanding	25,694	27,252	25,639	27,204
Add: Net effect of dilutive stock options and unvested restricted stock (1)(2)(3)	865	509	772	474
Adjusted weighted average number of shares of common stock outstanding	26,559	27,761	26,411	27,678
Earnings per common share:				
Basic	\$ 1.12	\$ 0.88	\$ 2.69	\$ 2.17
Diluted	\$ 1.09	\$ 0.86	\$ 2.61	\$ 2.13

Table of Contents

HORNBECK OFFSHORE SERVICES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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- (1) Stock options representing rights to acquire 74 and 345 shares of common stock for the three months ended September 30, 2007 and 2006, respectively, and 153 and 319 shares of common stock for the nine months ended September 30, 2007 and 2006, respectively, were excluded from the calculation of diluted earnings per share, because the effect was antidilutive after considering the exercise price of the options in comparison to the average market price, proceeds from exercise, taxes, and related unamortized compensation.